

BELLSOUTH

W. W. (Whit) Jordan
Vice President-Federal Regulatory

Suite 900
1133-21st Street, N.W.
Washington, D.C. 20036-3351
202 463-4114
Fax: 202 463-4198
Internet: jordan.whit@bsc.bls.com

August 14, 1998

EX PARTE OR LATE FILED

EX PARTE

RECEIVED

AUG 14 1998

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
1919 M Street, NW, Room 222
Washington, D.C. 20554

Re: CC Docket No. 96-262

Dear Ms. Salas:

Today, Twyla Martin, Celia Stephen, Don Barbour, Farrell Skinner, Bobby Stewart, Johnny Simmons and the undersigned, all representing BellSouth, met with Tamara Priess, Jay Atkinson, Aaron Goldschmidt and Chris Barnekov of the Common Carrier Bureau's Competitive Pricing Division in connection with the above referenced proceeding. During this meeting, BellSouth presented the attached material which describes the pricing rules contained in BellSouth's state price regulation plans and also describes the pricing rules for contract service arrangements which are excluded from those state price regulation plans.

Please call me if you have any questions.

Sincerely,



William W. Jordan
Vice President - Federal Regulatory

cc: Tamara Priess
Jay Atkinson

Aaron Goldschmidt
Chris Barnekov

No. of Copies rec'd 0+1
List A B C D E

PRICING RULES IN BELL SOUTH'S PRICE REGULATION PLANS

	ALABAMA	FLORIDA	GEORGIA
Effective Date	9/20/95	1/1/96	8/5/95
Inflation Formula Including Any Productivity Offsets/Inflation Thresholds	Efficiency factor of 3.0%. GDP-PI minus 3.0% minus any service quality penalties applied to Basic category and individual residential services.	Basic: GDP-PI minus 1% Network Access: GDP-PI but not to exceed 3%.	Annual adjustment on Basic category not to exceed the greater of 1/2 change in GDP-PI when GDP-PI >3% or GDP-PI minus 2%.
Rate Caps	5 year cap on Basic category. Intrastate switched access rate elements capped at interstate switched access rates. One year cap on all services (expired).	5 year cap (1/1/01) on Basic services 3 year cap on multi-line business, PBX, Centrex, hunting. 3 year cap on Network Access	5 year cap on Basic Category
Switched Access Rate Reductions	Reduce intrastate switched access to 8/1/95 interstate levels, plus 1 cent. Reduce switched access 1/2 cent on 7/1/96 and 7/1/97 and 1/4 cent on 7/1/98 and 7/1/99 for two ends of access.	Reduce switched access by 5% each October beginning 10/1/96 until at parity with 1994 interstate rates.	Reduce switched access rates to parity with interstate. Intrastate rates to be no higher than interstate. Rates for switched access to be negotiated between the parties. Effective 7/1/96, GPSC reduced rate to \$0.035.
Service Category Descriptions CSAs not included in price regulation categories	Basic: Residence & Business local exchange services including ACS. Interconnection: Switched access and local interconnection. Non-Basic: All other services	Basic: Flat rate residence and single line business Local Interconnection: Not defined. Network Access: Access to local network. Non-basic: All other services	Basic: Residence and single-line business. TouchTone. Other: All services other than Basic.
Basic Service Category Pricing Rules	After cap, increases limited in the aggregate to the change in formula less service penalties. Individual residential increases limited to change in formula minus service penalties.	After cap, Basic services may be adjusted by inflation minus 1%.	After cap, subsequent increases tied to inflation formula.
Interconnection Category Pricing Rules	For the first 5 years switched access rates are tied to stipulated reductions (see above). After 5 years, rates are further capped at 1999 intrastate levels or interstate levels, whichever is lower.	Once switched access reaches 1994 interstate levels, adjust by inflation not to exceed 3% annually. After cap all other Network Access adjusted by inflation not to exceed 3% annually. Local Interconnection rates to be negotiated between parties or set by FPSC, if unable to negotiate.	No separate category for interconnection services. Included in Other Services Category. See Rate Reductions above.

PRICING RULES IN BELL SOUTH'S PRICE REGULATION PLANS

	ALABAMA	FLORIDA	GEORGIA
Non-Basic or Other Category Pricing Rules	Aggregate prices for all services can increase maximum of 10% per year. No increases in first 12 months.	Price increases for Non-Basic categories not to exceed 6% annually until alternate local provider is in the exchange, at which time price increases may not exceed 20% annually.	LEC can set rates for all other local exchange services on a basis that does not unreasonably discriminate between similarly situated customers; provided that rates are subject to a complaint process for abuse of market position in accordance with rules to be established by the Commission.
Service Reclassification Requirements	Transfer of service between categories effective no less than 30 days from filing.	LEC can petition for removal from regulation if circumstances warrant.	Not addressed in legislation.
New Service Definition and Rules	New services effective on 30 days notice even with intervention or investigation by Commission. If no decision after 60 days, tariff is effective on continuing basis. Period can be extended by the Commission or by request of an interested party for a period not to exceed 60 days, for a total of 120 days.	Not addressed in legislation	Not addressed in legislation.
Tariff Requirements	Continue to file tariffs for all services unless otherwise detariffed. Price decreases and promotional offerings effective no less than 15 days from filing. Tariffs to expand list of CSA authorized services effective 30 days after filing. Filings for decreases, promotional offerings or expansion of CSA approved list may be suspended to a 60 day effective date. Price increases effective on 30 days notice but APSC can extend to 60 days.	Tariff requirements for Basic services not in statute except LEC may adjust prices on 30 days notice once in 12 months. LEC continues to file tariffs for Network Access and Non-basic services. Can change prices for Non-basic services on 15 days notice. Can increase Network Access rates on 30 days notice and decrease on 7 days notice. Network Access terms and conditions changes presumed approved on 15 days notice.	Tariffs required for all services. Interim tariff filing requirements allow tariff filings to be presumed valid and become effective 30 days after filing, unless suspended, revised or denied by Commission. Tariffs for new service or rate decreases must include numerical demonstration that the prices are above total service long-run incremental costs.

PRICING RULES IN BELLSOUTH'S PRICE REGULATION PLANS

	KENTUCKY	LOUISIANA	MISSISSIPPI
Effective Date	7/20/95	4/1/96	1/1/96
Inflation Formula Including Any Productivity Offsets/Inflation Thresholds	GDP-PI minus 4% if inflation $\leq 8\%$ 1/2 GDP-PI if inflation $> 8\%$ Applies to Non-competitive and Interconnection services.	GDP-PI minus 2.5% for Basic	Beginning 3/1/99, PREP requires Basic revenues to decrease 1% per year through end of plan.
Rate Caps	3 year cap on Residence and until USF established.	5 year cap on Basic Services category 3 year cap on Interconnection Services category.	3 year cap on Basic category
Switched Access Rate Reductions	Mirror interstate switched access rates effective 7/1/95 and on continuing basis.	Reduce rates based on a schedule of reductions to be determined by the LPSC.	Reduce switched access to interstate level as of 1/1/96 and cap at parity over life of plan.
Service Category Descriptions CSAs not included in price regulation categories	Non-competitive: Residence and business basic local exchange service plus some discretionary services. Interconnection: Access services typically of a wholesale nature and not usually sold to end users. Competitive: All other services.	Basic: Residence and single line business basic local exchange services. Interconnection: Services that allow a provider to interconnect with networks of other providers. Non-Basic: All other services.	Basic: Residence and business basic local exchange services. Interconnection: Access to local and toll network. Other: All other services.
Basic/Non-Competitive Service Category Pricing Rules	After cap, adjust per formula and: <ul style="list-style-type: none"> Price increase not to exceed PRI annual change. Increases cannot be deferred but can be taken any time during year. Required decreases must be implemented upon PRI change. 10% increase limit on individual services. 	After cap, adjust rates based on formula. Individual service may not increase more than 10% in a twelve-month period.	Reduce Basic revenues by 1% per year beginning 3/1/99.
Interconnection Category Pricing Rules	Rates for all intrastate switched access services cannot exceed the FCC interstate rate for the same service. If there is no similar service in interstate arena, the pricing rules in the non-competitive category will apply. Rates effective upon 30 days notice.	After the cap expires, individual services may not increase more than 10% in any twelve-month period.	Reduce intrastate switched access rates to parity with interstate on 1/1/96 and cap at parity. All other rates set by the company according to market factors. Only one rate increase per rate element per year.

PRICING RULES IN BELL SOUTH'S PRICE REGULATION PLANS

	KENTUCKY	LOUISIANA	MISSISSIPPI
Non-Basic/Competitive Category Pricing Rules	Company sets prices based on market factors. Cost studies required for all price changes in competitive category.	Individual service may not increase more than 20% in twelve-month period.	Company sets prices based on market factors. Individual rate elements cannot increase more than 20% annually. Only one increase per rate element per year.
Service Reclassification Requirements	Company to file notice to reclassify service. Reclassification is presumed valid within 30 days if no action taken by Commission. If suspended, Commission will complete review procedures within 90 days.	Service category classification report to be filed each July 1. Proposals for reclassification are to be included.	Company files notice to reclassify service. PSC reviews within 30 days. If PSC neither approves or suspends request, reclassification deemed approved. If PSC suspends request, review to be completed in 120 days. If no action by PSC in 120 days, reclassification is implemented.
New Service Definition and Rules	New service is function, feature, capability or combination of these previously not offered. Company will propose appropriate category. Service will be effective upon 30 days notice. Commission retains full statutory suspension procedures if new service is contested.	New service is a service function, feature or capability, or combination of these, not offered as of 3/31/96. Service may be effective on 10 days notice. Affected party may intervene, but intervention will not delay effective date if tariff is accepted by Staff.	New service is function, feature or capability not currently offered. New services assigned to the appropriate category. Service will become effective upon 30 days notice.
Tariff Requirements	Company will continue to file tariffs for all services. Tariff filings will include information to comply with pricing rules. BST must file cost study with any proposed change to demonstrate that the price is above long run incremental costs. Changes to competitive services effective on 30 days notice.	Company will continue to file tariffs for all services. Tariff changes may be effective on 10 days notice. Affected party may intervene, but intervention will not delay effective date if tariff is accepted by Staff.	Company will continue to file tariffs for all services. Tariff filings will include information to conform to pricing rules. Detailed information concerning the cost of the service shall be provided upon request of the Commission or the Staff.

PRICING RULES IN BELL SOUTH'S PRICE REGULATION PLANS

	NORTH CAROLINA	SOUTH CAROLINA	TENNESSEE
Effective Date	6/24/96	1/30/96	Price Regulation and rate reductions stayed during Court appeal. 10/97, Court remanded case to TRA to approve price regulation. Supreme Court refused to review appeal 6/98.
Inflation Formula Including Any Productivity Offsets/Inflation Thresholds	Basic: GDP-PI - 2% Interconnection: GDP-PI - 3% Non-Basic 1: GDP-PI - 3%	GDP-PI - 2.1% applied to Basic and Interconnection Services.	Annual adjustments for each category capped in the aggregate at the lesser of GDP-PI - 2% or 1/2 GDP-PI.
Rate Caps	3 year cap on Residence service. Indefinite cap on Toll Switched Access.	5 year cap on Basic Category 3 year cap on switched access	4 year cap on Basic Services and 4 year cap on Call Waiting.
Switched Access Rate Reductions	Eliminate Originating CCLC by end of 2 nd year. NCUC ordered rate reductions, some of which applied to toll switched access.	\$12M	Agreement on intrastate switched access to reach parity with 8/95 interstate rates by effective date of price regulation.
Service Categories Descriptions CSAs not included in price regulation categories	Basic: Residence and Business basic local service. Toll Switched Access: Intrastate Switched Access. Interconnection: All Access services except Toll Switched Access. Non-Basic 1: All other services Non-Basic 2: Centrex, B&C Services.	Basic: Residence and business flat rate service, PTAS, PBX Trunks. Interconnection: Access to local and toll network. Non-basic: All other services	Basic: Residence and Business basic local services. Non-Basic: Services not defined as Basic. Interconnection: Provides interconnection with networks of other providers and is subcategory of Non-basic.
Basic Service Category Pricing Rules	Business prices, and Residence after cap can be adjusted in the aggregate by formula. Rate element increases limited to one annually, not to exceed GDP-PI plus 3%.	After cap, adjust by formula. Increases to an individual service limited to GDP-PI plus 5% annually.	After cap, rates adjusted according to formula. Basic residential service increase in one year limited to % change in GDP-PI.
Interconnection Category Pricing Rules	Prices can be adjusted in the aggregate by formula. Rate element increases limited to one annually, not to exceed GDP-PI plus 7%. Switched Toll Access category aggregate prices capped at prices in effect after ordered rate reductions.	Interconnection services, and switched access after cap expires, may be adjusted based on formula.	Inflation formula applies to rate increases per subcategory.

PRICING RULES IN BELL SOUTH'S PRICE REGULATION PLANS

	NORTH CAROLINA	SOUTH CAROLINA	TENNESSEE
Non-Basic Category Pricing Rules	Prices in the Non-Basic 1 Category, can be adjusted in the aggregate by GDP-PI minus 3%. Rate element increases limited to one increase annually, not to exceed GDP-PI plus 17% . No restrictions on Non -Basic 2 services.	Company sets prices. Increase to individual service is limited to 20% in a 12 month period.	Inflation formula applies to rate increases for category as a whole.
Service Reclassification Requirements	Thirty days notice to reclassify service. NCUC can extend review period to 45 days.	Not addressed.	TRA can exempt a service or group of services from regulation.
New Service Definition and Rules	A regulated function, feature, capability or combination of these that is not offered by BST as of the effective date of the Plan. Tariffs establishing terms, conditions and rates for new services are presumed valid and effective 14 days after filing unless suspended by Commission (not to exceed 45 days).	New service is function, feature or capability not currently offered. Tariff to be effective at end of notice period, but no sooner than 14 days.	Maximum rate for any new Non-basic service not to exceed the stand alone cost of the service.
Tariff Requirements	Tariffs will be filed for all services. Tariffs that change terms and conditions, increase rates, restructure rates or introduce a new service are presumed valid and will be effective 14 days from filing unless PUC disapproves, modifies, or otherwise suspends tariff. Commission may investigate whether price increases are consistent with Plan and whether terms and conditions and restructures are consistent with public interest. Tariffs reducing rates are effective and presumed valid 7 days from filing unless PUC suspends tariff.	Company will file tariffs for all services. Tariff filings will include information to show compliance with pricing rules. Changes to terms and conditions to be effective upon 14 days notice; increases to be effective upon date specified in tariff but in no event earlier than 14 days notice; decreases to be effective upon 7 days notice.	Company will file tariffs for all services unless exempted by the TRA.

CONTRACT SERVICE ARRANGEMENTS (CSAs)

GENERAL:

- **Definition - Customer specific Contract specifying tariff service(s) at rates lower than tariff rates.**
- **Criteria for CSAs**
 - **CSAs may be offered to customers in lieu of tariff offerings if the customer has a competitive alternative.**
 - **Rates must be greater than costs.**
- **In most states, authorization for CSAs is in Intrastate tariffs.**
- **CSAs offered primarily to Large Business Customers.**
- **Most competitive services could be offered as a CSA. There are no service specific restrictions in the Tariffs.**
- **A Volume & Term Contract provides discounts on multiple tariff services for a single customer. The services may be provided to that customer in more than one BellSouth state. A Volume & Term Contract is a CSA.**
- **Commission Filing Requirements Vary.**

CSA REGULATORY FILING REQUIREMENTS

CSAs filed as tariffs; Commission approval required	<u>STATE</u> TN
Customer Contract and/or Cost/Revenue analysis filed with Commission; Commission approval required	AL, KY, SC
Customer Contract and/or Cost/Revenue analysis filed with Commission; No approval by Commission required	FL, GA, MS, NC
Not required to file any information on CSAs	LA